

DOCKET NO. 2015-__-E

Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 7

**DUKE ENERGY CAROLINAS,
LLC'S APPLICATION FOR
APPROVAL OF RIDER 7**

Pursuant to S.C. Code §58-37-20 (Supp. 2014) and 10 S.C. Code Reg. 103-819 and 823, the Rules of Practice and Procedure of the Public Service Commission of South Carolina ("Commission"), Duke Energy Carolinas, LLC (the "Company" or "Duke Energy Carolinas") hereby applies to the Commission for approval of its demand-side management ("DSM") and energy efficiency ("EE") rider for 2016 ("Rider 7"). Duke Energy Carolinas also requests that the Commission allow it to recover the costs of its Interruptible Service and Stand-By Generator programs ("Existing DSM Programs") as a separate component of this Rider 7. Finally, Duke Energy Carolinas reports the results of the study designed to assess the feasibility and estimated cost associated with its achievement of Energy Efficiency Goals established in a settlement agreement in Commission Docket Nos. 2011-158-E and 2011-68-E.

In support of this Application, Duke Energy Carolinas shows the Commission the following:

Name and Address of Duke Energy Carolinas

1. The correct name and post office address of the Company is Duke Energy Carolinas, LLC, Post Office Box 1321, Charlotte, North Carolina 28201.

Notices and Communications

2. The name and address of the attorney of Duke Energy Carolinas who is authorized to receive notices and communications with respect to this Application is:

Charles A. Castle
Duke Energy Corporation
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Description of the Company

3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the western portion of South Carolina and central and western portions of North Carolina. It also sells electricity at wholesale to municipal, cooperative, and investor-owned electric utilities. Duke Energy Carolinas is a public utility under the laws of South Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. The Company also is authorized to transact business in the State of North Carolina and is a public utility under the laws of that state. Accordingly, its operations in North Carolina are subject to the jurisdiction of the North Carolina Utilities Commission.

Background

4. The Commission approved the modified Save-A-Watt ("SAW") cost recovery mechanism for EE and DSM as a four-year pilot expiring December 31, 2013, in Order No. 2010-79, Docket No. 2009-226-E ("SAW Order"). The SAW pilot has expired, but the approved recovery mechanism allowed the Company to collect lost revenues for three years and required true-up of amounts charged and collected from customers based on evaluation, measurement, and verification ("EMV") of the program costs and participation.¹ Consequently, a portion of the amount the Company seeks to collect from customers in Rider 7 is associated with the SAW model. Importantly, the amounts to be collected from customers reflect a calculation of the earnings cap the Commission applied to the recovery mechanism in its SAW Order. The Company is limited to earning, on a total program basis, the lesser of the avoided cost revenue requirement or the program costs, plus a pre-tax return of 15%.² The supporting calculations are

¹ Order No. 2010-79, at 67-68.

² See the Direct Testimony of Jane L. McManeus for Duke Energy Carolinas, LLC, filed July 27, 2009 in Docket No. 2009-226-E, p. 18.

set forth in Rider 7, Exhibit 5 attached to this Application. This filing will be the final filing related to the SAW cost recovery mechanism. The remainder of Rider 7 seeks to recover from customers the amounts associated with the new recovery mechanism the Commission approved to replace the SAW model in Order No. 2013-889 in Docket No. 2013-298-E, as well as the costs associated with Existing DSM Programs.

5. The new recovery mechanism of the Company's EE/DSM Portfolio is a shared savings model with three distinct components: (1) recovery of the costs the Company incurs to offer and deliver EE and DSM programs to customers; (2) recovery of net lost revenues incurred for up to thirty-six (36) months of a measure's life for EE programs; and (3) a shared savings incentive that is equivalent to 11.5% of net savings achieved through the Company's portfolio of EE/DSM programs.

6. The Existing DSM Program recovery method remains unchanged.

Components of Rider 7

7. Calculations for Rider 7 were computed in accordance with the Application, testimony and the Commission's Order in Docket No. 2013-298-E. The specific components of Rider 7 include:

- a. Vintage 1, February 1, 2010- December 2010: Final true-up of DSM program costs.
- b. Vintage 2, January 2011 - December 2011: Final true up of lost revenues to reflect Evaluation, Measurement & Verification ("EM&V") received since Rider 6, and final true-up of DSM program cost.

- c. Vintage 3, January 2012 - December 2012: Final true-up of lost revenues and avoided costs to reflect EM&V received since Rider 6, and final true-up of DSM program costs.
- d. Vintage 4, January 2013 - December 2013: an estimate of Year 4 lost revenues and a final true-up of avoided cost and Year 1, 2 and 3 lost revenues to reflect EM&V received since Rider 6, and final true-up of DSM program costs. Although this vintage includes an estimate of Year 4 lost revenues, as this is the final filing for SAW vintages, this estimate will not be trued up in subsequent riders.
- e. SAW Vintages 1-4 include the updated and final impact of the implementation of the calculation of the earnings cap and corresponding revisions to interest calculations.
- f. Year 2014,³ January 2014 – December 2014: true-up of program costs, shared savings and Year 1 lost revenue, an estimate of Year 3 lost revenues, as well as an adjustment to collect costs unrecovered from Year 2⁴.
- g. Year 2015, January 2015 – December 2015: an estimate for Year 2 lost revenues, as well as an adjustment to collect the unrecovered program costs and unrecovered shared savings from Year 1.

³ In the Company's 2013 filing, the nomenclature for a vintage changed from "Vintage" year to "Year 2014," "Year 2015," etc.

⁴ See Order 2013-889, Section B, Paragraph 3 which states in pertinent part: "The first year of the revenue requirement associated with the new mechanism would be billed at 75%, the second year at 80%, the third year at 90%, and the fourth year at 100%. Each year, the revenue requirement would include a true-up component of the previous year to 100% of actual plus an estimate of the current year's revenue requirement. The total of these two components would then be billed based on the billing adjustment for that year."

- h. Year 2016. January 2016 – December 2016: estimates for program costs, shared savings, and lost revenues for Year 1, as well as an estimate of 2016 existing DSM program costs.

Rider 7 Rate Overview

8. The revenue Duke Energy Carolinas proposes to recover under the proposed Rider 7⁵ follows:

- 33,053,198 for Residential Customers (Exhibit A, Line 15) and
- 40,591,129 for Non-Residential Customers (Exhibit A, Line 62).

For Rider 7, because non-residential customers can opt-out of various components and vintages of EE/DSM, the billing factors were separated to reflect non-residential customer participation in EE programs, DSM programs, or both EE and DSM programs. The proposed Rider 7 billing factors include prospective and true-up components. Based on the total costs to be recovered under the proposed Rider 7, as shown on Exhibit A, the billing factors applicable to South Carolina customers for the billing period January 1, 2016 through December 31, 2016, would be as follows:

Residential Billing Factors	¢/kWh
True-up Component for Vintages 1-4 and Year 2014 Year 1	.0932
Prospective Component for Vintage Year 2014-2016	.4021
Residential Rider 7 (Total)	.4953

⁵ Billed at 90%, pursuant to Order 2013-889.

Non-Residential Billing Factors	¢/kWh
Vintage 1 EE Participant	(.0018)
Vintage 1 DSM Participant	(.0010)
Vintage 2 EE Participant	.0278
Vintage 2 DSM Participant	.0042
Vintage 3 EE Participant	.0094
Vintage 3 DSM Participant	(.0057)
Vintage 4 EE Participant	.0227
Vintage 4 DSM Participant	(.0012)
Vintage Year 2014 EE Participant Year 1 True Up	.0722
Vintage Year 2014 DSM Participant Year 1 True Up	.0089
Vintage Year 2014 EE Participant	.0230
Vintage Year 2015 EE Participant	.0700
Vintage Year 2015 DSM Participant	.0219
Vintage Year 2016 EE Participant	.2801
Vintage Year 2016 DSM Participant	.0956

9. The proposed tariff sheet for Rider 7 is attached as Exhibit B to the Application. A summary of the calculations used to determine these billing factors and the revenue requirement for Rider 7 is attached as Exhibit A to the Application. The supporting calculations for Exhibit A are also attached. A detailed description and evaluation of the Company's EE and DSM programs for 2015 is set forth in Rider 7, Exhibit 8.

Energy Efficiency Portfolio Analysis

10. As a component of the Revised Stipulation Settlement Agreement in Docket No. 2013-298-E, the Company agreed to develop a study designed to assess the feasibility and estimated cost associated with its achievement of Energy Efficiency Goals established in the settlement agreement in Docket Nos. 2011-158-E and 2011-68-E, an annual savings target of one percent (1%) of the previous year's retail electricity sales beginning in 2015 and a cumulative savings target of seven percent (7%) of retail electricity sales over the five-year time period of 2014-2018. As part of the fourth quarter Duke Energy Carolinas Energy Efficiency Collaborative ("Collaborative") meeting held on December 4, 2014, the Company provided an overview of the

methodology of the study. The Company provided a draft copy of the study to the Collaborative on December 22, 2014. The Energy Efficiency Analysis Study is attached to this Application as Rider 7 Exhibit 10.

Conclusion and Request for Approval

11. Based on the foregoing, the Company respectfully requests that the Commission grant its application seeking approval of Rider 7 as described in this Application and supporting exhibits. Additionally, the Company would ask the Commission to allow the proposed rate to be put into effect without notice and hearing pursuant to S.C. Code § 58-27-870(F) (Supp. 2014). The proposed rates do not require a determination of the entire rate structure and overall rate of return, and will facilitate an orderly rate administration.

Submitted this the 2nd day of March, 2015.



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Rider 7 Exhibits

Exhibit A	Summary for Rider EE Exhibits and Factors
Exhibit B	Tariff Sheet
Vintage 1, Exhibit 1	Final True-Up for Vintage 1, Years 1, 2 and one month of Year 3
Vintage 1, Exhibit 2	Final True-Up of Load Impacts and Avoided Cost Revenue Requirements by Program – Vintage 1
Vintage 2, Exhibit 1	Final True-Up for Vintage 2, Years, 1, 2 and 8 months of Year 3
Vintage 2, Exhibit 2	Final True-Up of Load Impacts and Avoided Cost Revenue Requirements by Program – Vintage 2
Vintage 3, Exhibit 1	Final True-Up for Vintage 3, Years 1, 2, 3 and 4
Vintage 3, Exhibit 2	Final True-Up of Load Impacts and Avoided Cost Revenue Requirements by Program – Vintage 3
Vintage 4, Exhibit 1	Final True-Up for Vintage 4, Years 1, 2, 3 and final estimate of Year 4
Vintage 4, Exhibit 2	Final True-up Load Impacts and Avoided Cost Revenues by Program – Vintage 4
Vintage 4, Exhibit 3	Allocation Factors – Vintage 4
Year 2014, Exhibit 1	True Up for Vintage 2014 Year 1 and estimate of Year 3 Lost Revenues Applicable to Residential and Non-Residential Customers

Year 2014, Exhibit 2	Load Impacts and Estimated Revenue Requirements for Program Year 2014
Year 2014, Exhibit 3	Existing DSM Program Costs Year 2014
Year 2014, Exhibit 4	Allocation Factors – Vintage Year 2014-2016
Year 2014, Exhibit 5	Actual Program Costs – Year 2014
Year 2014, Exhibit 6	Changes from Rider 6 Due to Application of M&V and Participation
Year 2015, Exhibit 1	Year 2 Lost Revenue Estimate Applicable to Residential and Non-Residential Customers
Year 2016, Exhibit 1, page 1	Estimated Annual Riders Applicable to Residential Customers
Year 2016, Exhibit 1, page 2	Estimated Annual Riders Applicable to Non-Residential Customers
Year 2016 Exhibit 2	Load Impacts and Estimated Revenue Requirement by Program – Vintage 2016
Year 2016, Exhibit 3	Allocation Factors for Vintage Years 2014-2016
Rider 7, Exhibit 1, Page 1	South Carolina Lost Revenue Summary – Vintages 1-4
Rider 7, Exhibit 1, Page 2	South Carolina Lost Revenue Summary – Vintage 2014 - 2016
Rider 7, Exhibit 2, Page 1	DSM/EE Revenues Collected from Riders (By Vintage)
Rider 7, Exhibit 2, Page 2	Revised Estimated 2015 Revenues to be Collected

Rider 7, Exhibit 3, page 1	Forecasted kWh Sales for Rate Period (SAW Programs Vintage 1-4)
Rider 7, Exhibit 3, page 2	Forecasted kWh Sales for Rate Period (Year 2014-2016)
Rider 7, Exhibit 4, Page 1	Residential Interest Calculation – Vintages 1 and 2
Rider 7, Exhibit 4, Page 2	Residential Interest Calculation – Vintages 3 and 4
Rider 7, Exhibit 4, Page 3	Residential Interest Calculation – Year 2014
Rider 7, Exhibit 4, Page 4	Non-Residential Interest Calculation – Vintage 1
Rider 7, Exhibit 4, Page 5	Non-Residential Interest Calculation – Vintage 2
Rider 7, Exhibit 4, Page 6	Non-Residential Interest Calculation – Vintage 3
Rider 7, Exhibit 4, Page 7	Non-Residential Interest Calculation – Vintage 4
Rider 7, Exhibit 4, Page 8	Non-Residential Interest Calculation – Year 2014
Rider 7, Exhibit 5	Earnings Cap Calculation SAW Program
Rider 7, Exhibit 6	DSM/EE Revenues Collected from Riders (by Type) for SAW Vintages 1-4
Rider 7, Exhibit 7	South Carolina Actual Program Costs for SAW Vintages 1-4
Rider 7, Exhibit 8	Description and Evaluation of EE and DSM Programs for 2014
Rider 7, Exhibit 9	Evaluation, Measurement and Verification Report
Rider 7, Exhibit 10	Analysis of Energy Efficiency Portfolio